

## The Effect of Cash Turnover and Receivable Turnover on Profitability at PT Ace Hardware Indonesia Tbk

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### Abstract

As we know, the company's main goal is to focus on achieving profitability. Achieving high profitability indicates that the company is able to carry out its operations properly. This can be seen from the company's performance report, namely the income statement and the company's balance sheet. However, there are still many other factors that are not less important in the spotlight in assessing the level of efficiency of the company, among others, seen from the level of accounts receivable turnover and cash turnover rate. The formulation of the problem taken is how the influence of cash and accounts receivable turnover on profitability and which one most influences the profitability between cash and accounts receivable. Data sources are obtained from the four-period financial statements starting from 2015 to 2018 which consist of balance sheets and profit and loss. The data analysis method used is the classic assumption test, multiple linear regression analysis and hypothesis testing. Based on the results of research on the annual financial statements of PT. ACE Hardware Tbk for 4 periods namely 2015 - 2018. Cash turnover variables have a negative but not significant effect on profitability at PT. ACE Hardware Tbk, because it produces a significance of  $0.956 > 0.05$ . The receivable turnover variable also has no significant effect on the profitability of PT. ACE Hardware Tbk, indicated by the results of the significance of  $0.068 > 0.05$ . Both the accounts receivable turnover variable and cash turnover have no effect on profitability at PT. ACE Hardware Tbk.

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### INTRODUCTION

In general, every company, be it a service, trading or manufacturing company, has the same goal, namely to make a profit and maintain the continuity of the company in the future. To maintain the survival of the company and generate large profits, management must handle and manage its resources properly. Along with the era of globalization that makes the business world develop dynamically, the company's competition, especially similar companies will be increasingly stringent.

Working capital is assets owned by the company to carry out business activities or finance the company's operations without sacrificing other assets with the aim of obtaining optimal profits. In carrying out sales activities, it certainly requires working capital for its operational activities. It is hoped that the working capital issued will return to the company in the short term through the sale of a larger amount. In achieving the expected profit the company needs to make sales. The sale of goods or services is a source of company income. Profit or profit is the difference between the amount received from customers for the goods and services produced and the costs incurred for the inputs used to produce goods or services.

Cash turnover is a period of cash circulation that starts when cash is invested in the working capital component until it returns to cash as the working capital element with the highest liquidity. The purpose of cash is to finance the company's daily operations and to make new investments in fixed assets.

Cash and receivables have a high influence on profit so that they need to be handled effectively and efficiently. A high cash turnover rate indicates the speed of cash flow back from cash that has been invested in assets. According to Riyanto (2011), "The higher the cash turnover, the better, because this means that the higher the efficiency of the use of cash and the profits will be greater."

In carrying out sales to consumers, companies can do it in cash or credit. consumers generally prefer when companies can make sales on credit, because payments can be delayed. It is this credit sale that gives rise to receivables or bills. Receivables are rights to collect a sum of money from the seller to the buyer arising from a transaction. However, of course the company will like it if sales transactions can be made in cash, because the company will immediately receive cash and the cash can be used again to bring in further income.

Credit sales contain credit for the company in the form of losses that must be suffered if the debtor does not pay his obligations. Investments that are too large in accounts receivable can lead to slow turnover of accounts receivable, so that the company's ability to increase sales volume is smaller and results in a smaller opportunity for the company to generate profits. For this reason, the management of receivables requires careful planning, starting from credit sales that generate receivables until they become cash.

The higher the accounts receivable turnover rate of a company, the better the management of its receivables indicates a good return on profits. According to Riyanto (2011), "Receivables turnover shows the bound period of working capital in receivables where the faster the rotation period indicates the faster the company benefits from the sale of these credits, so that the company's profitability also increases". To measure the company's success in generating profits, it is not only seen from the size of the profits earned, but can be seen from the turnover of its receivables. Receivable turnover is a number that shows how many times a company bills its receivables in a certain period.

## METHODS

An important part of research is the research method. What is meant by research methods are all the principles, regulations and certain techniques that need to be considered and applied in an effort to collect data and analyze to solve problems in the field of science. In this chapter there are 8 things that are described, namely types of research, research variables and operational definitions, research data, population and research sample, place and time of research, research instruments, data collection techniques and data analysis techniques.

### Types of research

In this study, quantitative research and secondary data were used, the values of which were processed to become input for research variables using statistical tools that aimed to

test the hypothesis which states the effect of cash turnover and accounts receivable turnover.

The quantitative approach is an approach that emphasizes testing theories or hypotheses through measuring the research variables in a (quantitative) framework and conducting data analysis with static procedures and systematic modeling.

### **Research Variables and Operational Definitions**

The operational definition is to attach meaning to a variable by specifying the activities or actions necessary to measure the variable. After presenting several perceptions based on certain concepts and theories, the research needs to determine the research variables, which apart from functioning as differentiators are also related to and influence one another.

### **Independent Variable (Independent Variable)**

This variable is often referred to as the independent variable. The independent variable is a variable that influences or becomes the cause of the change or the emergence of the independent (bound) variable. In this study, the independent variables included were the effect of cash turnover (X1) and accounts receivable turnover (X2).

### **Dependent Variable (Dependent Variable)**

This variable is often referred to as the output variable, criteria, consequences. In Indonesian it is often referred to as the dependent variable. The dependent variable is the variable that is affected or is the result, because of the independent variables. In this study, the dependent variable is profitability (Y).

### **Hypothesis testing**

#### **Determinant Coefficient (R<sup>2</sup>)**

The coefficient of determination (R<sup>2</sup>) is basically used to measure the magnitude of the contribution or influence of the independent variables on the variation in the ups and downs of the dependent variable. The coefficient of determination is between 0 and 1. In other words, the coefficient of determination is the ability of variable X to explain variable Y.

#### **Statistical F Test (Simultaneous Significance Test)**

The F statistical test basically shows whether all the independent variables included in the model have a simultaneous effect on the dependent variable. Statistical F test in multiple regression can be used to test the significance of the coefficient of determination R<sup>2</sup>. Thus the statistical F value can be used to evaluate the hypothesis that there are no independent variables that explain the Y variation around the average value with certain k-1 and nk degrees of confidence.

## **RESULTS AND DISCUSSION**

### **Classic assumption test**

#### **Normality test**

The data normality test is carried out to see whether a data is normally distributed or not. The purpose of the normality test is to find out whether the confounding or residual variables in the regression model have a normal distribution. The way to detect whether the residuals are normally distributed or not is to do the Kolmogorov Smirnov test contained in the SPSS program. The data distribution can be said to be normal if the significance is > 0.05.

From the table data above using the Kolmogorov Smirnov test it can be seen that all data is normally distributed. In the Kolmogorov Smirnov test criteria it is said that the data is

normally distributed if the significance value is  $> 0.05$ . It can be seen because the significance value in the table is 0.956 greater than 0.05.

### Multicollinearity Test

This test is to find out more than one perfect linear relationship. The multicollinearity test is carried out by looking at the VIF value and Tolerance value in the processed SPSS table output.

If the VIF value is not greater than 10 and the Tolerance value is not less than 0.1 then this does not indicate a multicollinearity problem.

**Table 1. Multicollinearity Test Results**

Model	Coefficients					
	Unstandardized Coefficients		Standardized Coefficients	Q	Sig.	Collinearity Statistics
	B	std. Error	Betas			tolerance VIF
1 (Constant)	.207	.006		36,672	.017	
X1	-.007	.001	-.845	-10,515	.060	.950 1,052
X2	.000	.000	.750	9,330	.068	.950 1,052

a. Dependent Variable: Y

Source: Data processed 2019.

Based on the table above, it can be seen that the VIF value is 1.052 which means  $VIF < 10$  and the tolerance is 0.950 which means  $tolerance > 0.1$ , so it can be stated that there is no multicollinearity.

### Multiple Linear Regression Test

Multiple linear test aims to calculate the magnitude of the influence of two or more independent variables on the dependent variable by using two or more independent variables.

**Table 2. Multiple Linear Regression Results**

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
1 (Constant)	.207	.006		36,672	.017
X1	-.007	.001	-.845	-10,515	.060
X2	.000	.000	.750	9,330	.068

a. Dependent Variable: Y

Source: data processed in 2019

Based on the table above, the multiple linear regression equation is formulated as follows:

$$Y = 0.207 + -0.007X1 + 0.000X2 + e$$

A constant of 0.207 states that if there is no collection of cash starting when cash is invested in the working capital component until it returns to cash and receivables in a certain period, the company's net profit will be obtained in the amount of.

### Effect of cash turnover and accounts receivable turnover on the profitability of PT. ACE Hardware Tbk

From the analysis that has been carried out on the annual financial statements of PT. ACE Hardware Tbk during the period 2015 – 2018, the following results were obtained:

**Table 3. Multiple Linear Regression Results**

Variable	Koef.	t count	Sig	Information
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Constant	0.207	36,672	0.017	Significant
Cash Turnover	-0.007	-10,515	0.060	Not significant
Receivable Turnover	0.000	9,330	0.068	Not significant
F Count		80,968	0.078a	Not significant
<b>Adjusted R square</b>				<b>0.982</b>

Source: Data processed 2019.

From the table above, it can be obtained that cash turnover individually does not have a significant negative effect on profitability at PT. ACE Hardware Tbk, the regression test performed shows a significant amount for cash turnover is  $0.060 > 0.05$ . This is not in accordance with the hypothesis, then  $H_a$  is rejected and  $H_o$  is accepted, which means that there is no significant effect on company profitability.

**Table 4. Model Summary**

Summary model b				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.997a	.994	.982	.0011167

a. Predictors: (Constant), X2, X1  
b. Dependent Variable: Y

Source: Data processed 2019

From the table above, the model summary shows that the coefficient of R is 0.997, this shows that the relationship between the independent variable and the dependent variable is 99.7%, while the coefficient of determination is worth 0.994 which means 99.4% profitability can be explained by the variable cash turnover, and the rest is explained by other factors outside the study. This proves that parties in the company are less effective in managing their cash, because theoretically if you manage cash turnover effectively, it will have a high cash turnover impact, so that sales and profitability will increase.

Receivable turnover individually also does not have a significant effect on the profitability of PT. Ace Hardware Tbk. The regression test has been carried out to show that the significant magnitude for the receivables turnover variable is  $0.068 > 0.05$ , this means that  $H_a$  is rejected and  $H_o$  is accepted because there is no significant effect on company profitability.

This result proves that parties within the company are less effective in managing receivables turnover, because theoretically if receivables turnover is processed effectively it will have a positive impact on company profitability.

### The most influential factor on profitability

From the results of this study, there is no factor that has the most influence on profitability at PT. ACE Hardware Tbk, because the results between significance and t count are not in accordance with the rules which state that this affects the company's profitability. The results of this study are not in accordance with research conducted by Arum Puji (2017) and research conducted by Rizkiyanti Putri and Lucy Sri Musmini (2013) which state that cash turnover and accounts receivable turnover have a significant and positive effect on the profitability of a company

### CONCLUSION

Based on the results of research on the annual financial reports of PT. ACE Hardware Tbk for 4 periods, namely 2015 - 2018. The cash turnover variable has no significant



negative effect on profitability at PT. ACE Hardware Tbk, because it produces a significance of  $0.060 > 0.05$ . Receivables turnover variable also has no significant effect on the profitability of PT. ACE Hardware Tbk, indicated by the significance of  $0.068 > 0.05$ . Both cash turnover and accounts receivable turnover variables have no effect on profitability at PT. ACE Hardware Tbk.

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